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Director of Central Intelligence

Top Secret

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National Intelligence Daily

Tuesday
8 April 1980

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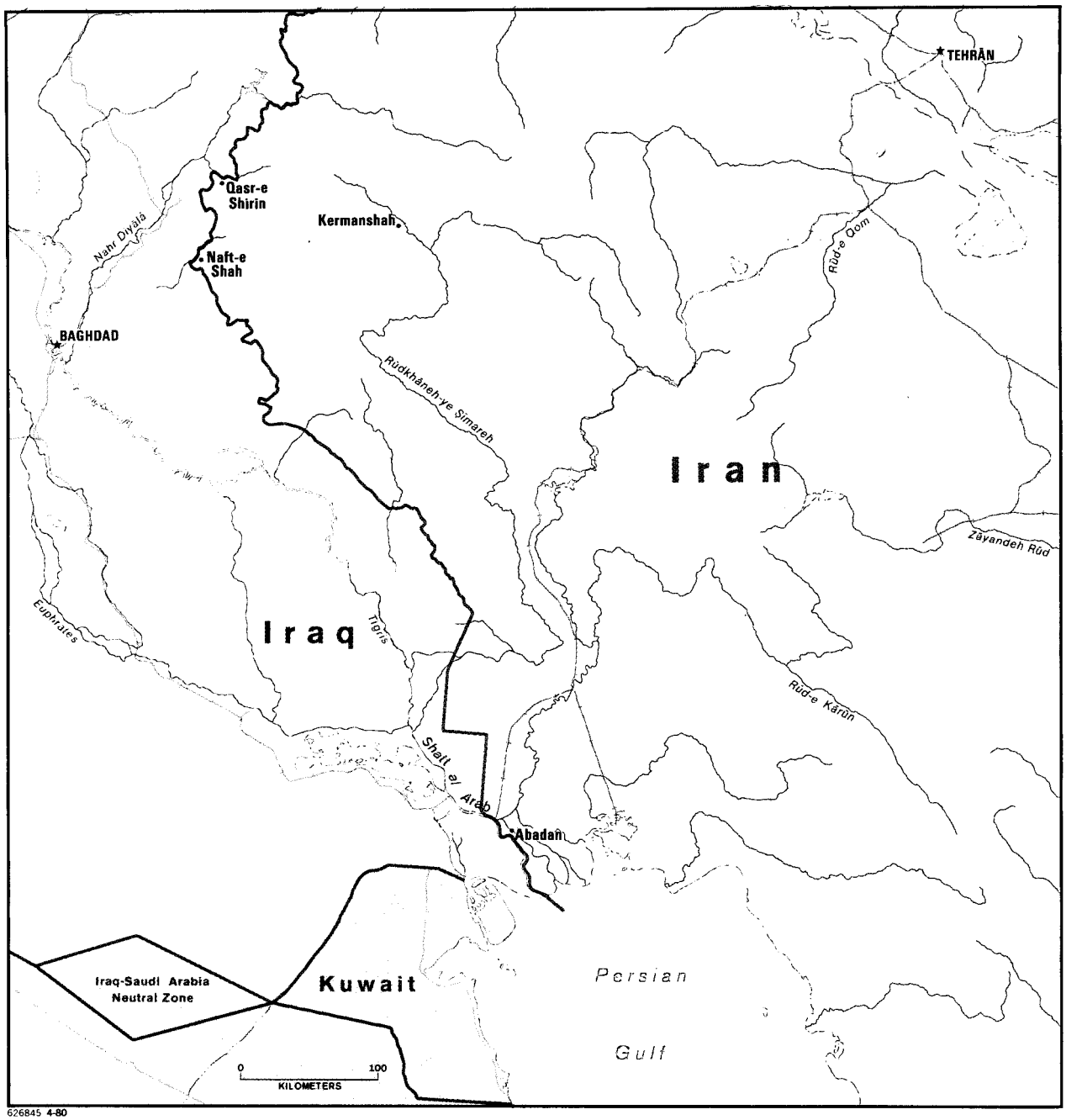

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SITUATION REPORT

IRAN

After several violent incidents, Iran appears on the verge of a complete diplomatic break with Iraq. 25X1

Tehran announced yesterday that it was recalling all its diplomats from Baghdad. Iraq had earlier ordered most of its representatives to leave Tehran 25X1

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The latest decline in relations follows the attempted assassination of Iraqi Deputy Prime Minister Tariq Aziz on 1 April and a second terrorist incident in Baghdad on Saturday at the funeral for those killed during the attack on Aziz. Baghdad has moved rapidly to retaliate. 25X1

Since the incidents, Iranian oil installations at Naft-e Shah and Abadan near the border with Iraq have been attacked. 25X1

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The Iranians also have blamed Iraq for the weekend attack on Iranian communications facilities near Qasr-e Shirin, 25X1

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Intense Iraqi media attacks on Iran have stressed the theme of Persian hatred of Arabs, especially Iraqis. The Baathist leadership probably hopes that Arab nationalism will have greater appeal to Iraq's majority Shia Muslim population than the Iranian clergy's call to topple the Baghdad government in the name of Islam. In order to reduce the possibilities for domestic unrest, Baghdad this weekend began expelling Shias of Iranian origin.

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The oil disruptions are not likely to have a substantial effect on the overall domestic supply of refined oil products, although production has declined. Production at Abadan reportedly has fallen to 395,000 barrels per day from its normal production level near 600,000 barrels per day, and production at the Kermanshah refinery apparently has fallen from 19,000 barrels per day to 15,000 barrels per day--probably as a result of reduced inflow from Naft-e Shah.

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Hostages

President Bani-Sadr's political position has been further weakened by Ayatollah Khomeini's refusal yesterday to authorize the hostages' transfer to government control.

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Bani-Sadr has been deeply dispirited by the Ayatollah's decision, and that he refused to comment publicly on the hostages after meeting with Khomeini. Although we believe Bani-Sadr will continue to look for ways to resolve the crisis, there is little prospect he can do much until the National Assembly is convened.

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Bani-Sadr's preoccupation with the hostage issue in the last two weeks has almost certainly damaged his supporters' hopes of doing well in the second round of elections for the National Assembly later this month. The final results of the first round indicate that only 100 of the 270 seats in the Assembly have been filled and runoffs will be necessary in the remainder. In many

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of the campaigns still to be decided, the hardline Islamic Republic Party will be the favorite; it won about half of the seats decided in the first round.

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Reaction to US Sanctions

Tehran radio has announced that the Revolutionary Council convened in "extraordinary" session early today to decide on steps to counter the new US actions. Tehran radio reported on the new US moves against Iran without comment, but noted US press reports that the US is not considering any military action.

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TASS has called the US moves punitive measures to punish Iran for holding the hostages.

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Japan has formally expressed its sympathy for the US moves. A Japanese television network today, however, quoted a Foreign Ministry source as saying that Japan's dependence on Iran for oil is such that it will first want to review Western reactions before deciding whether to side with the US on the sanctions issue.

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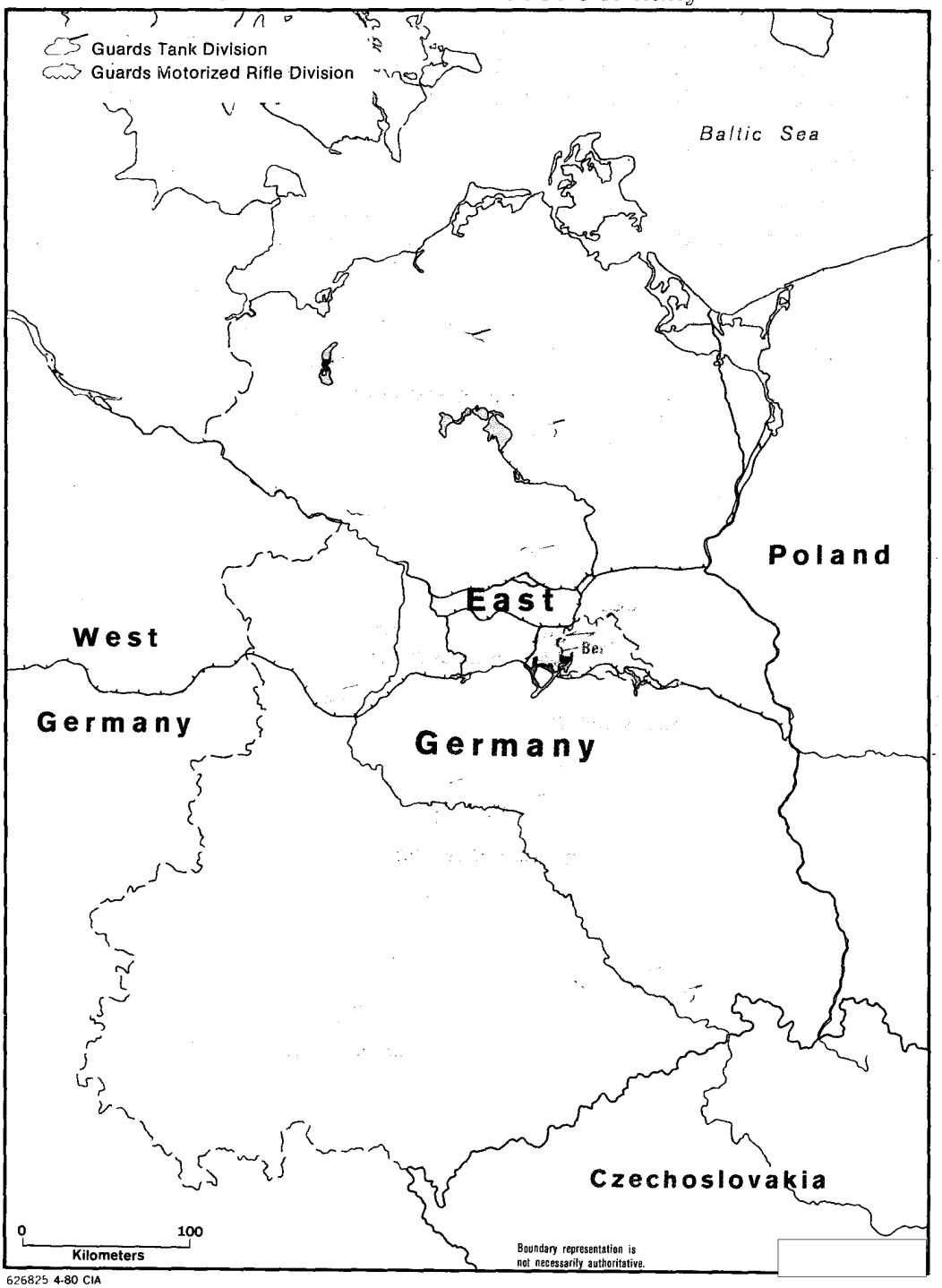
Soviet Ground Force Divisions in East Germany



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BRIEFS AND COMMENTS

USSR - EAST GERMANY: Military Withdrawals

The USSR has begun to withdraw additional elements of a tank division from Wittenberg, East Germany, in partial fulfillment of President Brezhnev's pledge to withdraw 20,000 Soviet troops and 1,000 tanks by October. [redacted] 25X1

A regiment of about 95 tanks and an engineer battalion--totaling 1,500 men--were withdrawn from this division in December. A public ceremony was held yesterday to mark the departure of additional troops from Wittenberg, and more ceremonies reportedly are scheduled for next week. [redacted] 25X1

[redacted] 25X1

The USSR hopes that the additional withdrawals will be interpreted by the West--and particularly by West Germany--as proof of its commitment to detente and arms control in Europe. Recent public Soviet statements have set forth the position, however, that the troops and tanks being withdrawn should be counted toward any Soviet reductions agreed to in the Vienna talks on mutual and balanced force reductions in Central Europe. This is contrary to Brezhnev's initial characterization of the step as a unilateral one. [redacted] 25X1

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USSR-CHINA: New Soviet Initiative

An authoritative commentary in yesterday's Pravda *declared that the USSR wants to "use all possibilities and practical channels" to restore normal relations with China.*

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The article--under the pseudonym "I. Aleksandrov," indicating high-level endorsement--specifically proposed reviving the stalled Sino-Soviet border negotiations, last held in 1978. The text alluded vaguely to using such a forum "for the constructive solution of a number of issues in interstate relations."

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The article avoided contentious issues such as conclusion of a joint document on principles of relations raised in the political talks held last year. Nevertheless it strongly restated Moscow's stand that the burden of improving relations rests on Beijing, indicating that the USSR is not contemplating unilateral concessions.

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The timing of the article is linked to the expiration this Friday of the Sino-Soviet treaty of 1950, which China repudiated last year. The Soviets may hope that an expression of symbolic restraint will help keep relations on an even keel despite tension created by Moscow's intervention in Afghanistan.

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The Soviets also may hope to keep before China the option of better relations with Moscow in an effort to slow the continuing improvement of US-Chinese ties.

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ISRAEL-LEBANON: Tension Increases

The raid yesterday by a Palestinian rejectionist group on a northern Israeli settlement and renewed pressure by Israeli-supported Lebanese Christian militia on UN personnel in southern Lebanon have increased tension in the area again.

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Israel may retaliate for the raid, possibly by conducting airstrikes against Palestinian rejectionist targets in southern Lebanon. the raid, coupled with recent small-scale infiltration attempts, may prompt Israel to suspend its seven-month-old policy of restraint in favor of once again attempting to preempt potential Palestinian operations.

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The most serious attacks by Lebanese Christian militias on UN forces occurred on Sunday and Monday, following smaller harassing attacks and the resumption of Christian shelling. Christian leader Haddad apparently is demonstrating his displeasure at the recent UN decision to man full-time the five observation posts established along the Israeli-Lebanese border inside his Christian-controlled enclave.

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Haddad also would like to induce the Lebanese Government to establish a presence in the Palestinian zone and dissuade it from pressing the militias for concessions. He hopes to force Beirut to provide his enclaves with government funds and services in return for ending Christian attacks on Lebanese targets and UN forces.

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Israel may be tacitly encouraging Haddad in the hope of forestalling the assignment of any more UN military observers to the border area. The Israelis and Haddad may be apprehensive that more observers could curtail their activities

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EGYPT - ARAB STATES: Financial Agreement

Egypt apparently has accepted an International Monetary Fund schedule for resuming interest payments on some $2 billion of frozen Saudi, Kuwaiti, and Iraqi deposits in Egypt's Central Bank. We believe that this move reflects Cairo's understanding that the funds, with the possible exception of $30 million held by Iraq, would remain in Egypt. Egypt froze the deposits last year to prevent possible withdrawal in retaliation for President Sadat's peace treaty with Israel. [redacted] 25X1

USSR-VIETNAM: Delivery of Fighter-Bombers

[redacted] 25X1 the Soviets have delivered nine Fitter fighter-bombers to Da Nang. At least two of the aircraft are the advanced SU-22, an export version of the SU-17 that is one of the most modern Soviet aircraft. It can carry 2,000 to 4,000 kilograms of munitions to a combat radius of between 360 and 630 kilometers. The new aircraft will improve Vietnam's ground attack capabilities, especially against China, where the Vietnamese Air Force has been using MIG-21 interceptors in a ground attack role. [redacted] 25X1

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